

## Message Text

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FOLLOWING REPEAT STATE 151342 ACTION MTN GENEVA DATED 1 JUL 75  
QUOTE

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FOL REPEAT STATE 151342 SENT ACTION EC BRUSSELS INFO LONDON  
DUBLIN BONN PARIS BRUSSELS LUXEMBOURG THE HAGUE ROME COPEN-  
HAGEN JUNE 26, 1975

QUOTE

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: DENT-GUNDELACH DISCUSSIONS

1. SUMMARY: FINN GUNDELACH, ACCOMPANIED BY RODERICK  
ABBOTT, PIERRE SCHLOSSER AND JEAN PIERRE LENG MET JUNE 24  
WITH AMBASSADOR DENT, YEUTTER, AND WALKER TO DISCUSS MTN  
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AND OTHER TRADE ISSUES. GUNDELACH WAS FORTHCOMING ON

CONCEPT OF EARLY RESULTS IN MTN. SUBSEQUENT TO MEETING, GUNDELACH EXPRESSED SATISFACTION WITH ITS RESULTS AND VIEW THAT US AND EC WERE COMMUNICATING CONSTRUCTIVELY. END SUMMARY.

2. GUNDELACH EXPRESSED SERIOUS CONCERN OVER WORLD ECONOMIC SITUATION, VIEWING EUROPEAN RECOVERY AS AT BEST LAGGING BEHIND THAT OF U.S., IF INDEED IT COULD BE ACCURATELY PREDICTED AT THIS TIME. HE FELT THAT BETTER VIEW WOULD BE GAINED WITHIN SIX TO NINE MONTHS AND SAID GREATER EFFORTS NEEDED TO MAINTAIN PROGRESS IN MTN IN CURRENT ECONOMIC CONTEXT.

3. COMMISSIONER GUNDELACH STRESSED REPEATEDLY NEED FOR FREQUENT HIGH-LEVEL INFORMAL BILATERAL DISCUSSIONS BETWEEN

U.S. AND EC IN ORDER TO MAKE PROGRESS ON MTN ISSUES. HE IMPLIED THAT IN FORMAL MTN MEETINGS, EC OFTEN HAD LITTLE FLEXIBILITY BECAUSE OF NEED TO BE SEEN TO REPRESENT DIFFERING VIEWS OF MEMBER STATES. HE FELT THAT WITHOUT INFORMAL OVERVIEW MECHANISM, NEGOTIATIONS WOULD NOT SUCCEED. HE FURTHER WARNED WE MUST HANDLE WITH SUFFICIENT ADVANCE CONSULTATION TO AVOID SURPRISES, BILATERAL ISSUES, SUCH AS SHOES AND COUNTERVAILING DUTIES ON HAMS, STEEL AND GLASS, TO AVOID CATASTROPHIC CONSEQUENCES. HE STRESSED THAT CHEESE EXPERIENCE COULD NOT BE REPEATED AND COMMISSION WOULD TAKE A VERY DIFFERENT POSITION IN FUTURE CASES IF A GUN WERE PUT TO THEIR HEADS.

4. AMBASSADOR DENT SUGGESTED JULY TNC GIVE MANDATE TO HAVE THE TNC GROUPS AND SUBGROUPS EXAMINE WHAT EARLY RESULTS COULD BE ACHIEVED. GUNDELACH STATED THAT HE FOUND IT QUITE CONCEIVABLE THAT THERE COULD BE SEPARATE AGREEMENT ON GIVEN PIECES OF THE NEGOTIATION, BUT THAT HE FELT IT WOULD BE A MISTAKE TO DECLARE THIS AS A POLICY IN THE TNC, BECAUSE THIS WOULD CAUSE A COMPETITION FOR PLACING ITEMS ON A PRIORITY LIST. HOWEVER, HE AGREED WITH THE GENERAL U.S. POSITION THAT CURRENT PROGRESS IS POSSIBLE, AND STATED THAT THE GROUPS SHOULD PULL TOGETHER NOT ONLY AREAS OF AGREEMENT BUT AREAS OF DIFFICULTY WHICH LIMITED OFFICIAL USE

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REQUIRED FURTHER WORK, ESPECIALLY WHERE WORK AT A HIGHER LEVEL WAS REQUIRED. GUNDELACH SAID IT WAS TOO EARLY TO SAY WHICH SEPARATE AGREEMENTS COULD BE FINALIZED INDIVIDUALLY, THAT WOULD NOT HAVE TO BE SUBJECT TO OVER-ALL AGREEMENT.

5. ON SUBJECT OF NOVEMBER TNC MEETING, GUNDELACH SUGGESTED TNC NOT BE PRESENTED WITH TOO MANY DECISIONS, AND WITH

NOTHING THAT WAS POLITICALLY TOO IMPORTANT UNLESS IT WAS COOKED IN ADVANCE. HE FURTHER SUGGESTED THAT FALL WAS TOO EARLY TO HAVE MINISTERIAL LEVEL MEETING. AMBASSADOR DENT RESPONDED FALL TNC MIGHT TAKE PLACE IN EARLY DECEMBER, RATHER THAN NOVEMBER BECAUSE OF SHORT WORK PERIOD AND SAID U.S. HAD NO FIXED VIEW OF HOW THE FALL TNC MEETING SHOULD BE USED OR ON WHAT LEVEL IT SHOULD MEET BEFORE WE HAD EVALUATED THE RESULTS OF THE JULY TNC AND ITS WORK PROGRAM.

6. ON STANDARDS CODE, GUNDELACH SAID THEY WOULD GIVE IT PRIORITY CONSIDERATION BECAUSE OF U.S. INTEREST BUT THAT EC HAS MAJOR DIFFICULTIES WITH CURRENT CODE: IT SHOULD APPLY ONLY TO STANDARDS MEANINGFUL IN TRADE TERMS FOR ANY COUNTRY SEEKING TO TAKE ADVANTAGE OF PROVISIONS, IT SHOULD NOT INCREASE BURDEN ON EC'S EVOLUTION OF STANDARDS;

MUST AGREE ON WHOM TO HAVE TO PARTICIPATE IN ORDER TO MAKE CODE WORK. GUNDELACH OFFERED TO HAVE MR. SCHLOESSER EXPLORE DIFFICULTIES INCLUDING THAT OF LEVELS OF COMMITMENT, WITH KELLY, AND SAID SCHLOESSER HAD POLITICAL MANDATE TO MAKE PROGRESS IN RESOLVING DIFFICULTIES.

7. ON SUBSIDIES AND COUNTERVAILING DUTIES, GUNDELACH DREW RELATIONSHIP BETWEEN HANDLING AD HOC PROBLEMS AND REACHING LONG TERM SOLUTIONS, SAYING WE WERE ON COLLISION COURSE WHICH THREATENED ENTIRE NEGOTIATIONS IF NOT BROUGHT UNDER CONTROL. HE SUGGESTED BILATERAL INFORMAL CONTACT OCCUR DIRECTLY AFTER SUMMER HOLIDAYS ON THIS ISSUE. GUNDELACH ASKED THAT SIX MONTH PERIOD IN LAW BE USED AND THAT THERE BE NO SURPRISES. ON THE RELATIONSHIP OF SHORT TERM CASES TO MTN, ABBOTT FELT THAT EC WOULD VIEW THE EXERCISE OF DISCRETION AS INDICATION OF WHETHER CONGRESS WOULD ADOPT LIMITED OFFICIAL USE

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A MEANINGFUL INJURY REQUIREMENT. KELLY POINTED OUT THAT PROGRESS TOWARD A SUBSIDIES CODE COULD ALSO HAVE AN EFFECT ON SHORT TERM CVD CASE SOLUTIONS, AND THAT EC HAS TO DATE NOT BEEN WILLING TO DISCUSS CHANGING RULES ON SUBSIDIES. KELLY NOTED FURTHER THAT CURRENT RULES DO NOT HANDLE PROBLEM OF SUBSIDIZATION INTO THIRD COUNTRY MARKETS NOR AGRICULTURAL SUBSIDIES. GUNDELACH REPLIED HEATEDLY THAT EC WAS WILLING TO DISCUSS SUBSIDIES BUT THAT THIS MUST BE HANDLED BILATERALLY AND INFORMALLY. HE SAID EC WILL NOT PAY US TO CONFORM TO GATT BUT WILL DISCUSS SUBSIDIES BECAUSE IT MAKES ECONOMIC SENSE TO HAVE SOME LIMITS ON SUBSIDIZATION.

8. ON AGRICULTURE, GUNDELACH SUGGESTED WE NOT BE UNDER ILLUSIONS THAT EC WOULD DO AWAY WITH CAP AND INTRODUCE

ADAM SMITH FREE TRADE. HE SUGGESTED NECESSITY TO REACH MODUS VIVENDI FOR DEALING WITH AGRICULTURE REALISTICALLY, AND THAT THIS COULD BE ACCOMPLISHED. ON CEREALS, SAID THERE WOULD HAVE TO BE SOME KIND OF LINK BETWEEN LONDON AND GENEVA BUT THAT MEMBER STATES MUST BE ABLE TO SEE SERIOUS MOVEMENT IN GENEVA OR THE PROMISE OF IT. AMBASSADOR YEUTTER STATED WE DO NOT WANT TO SEE GENEVA DISCUSSIONS TORPEDO LONDON, AND STATED THAT TO AVOID MIS-LEADING GUNDELACH, EC'S PROPOSALS IN AGRICULTURE DID NOT HAVE A PRAYER OF U.S. ACCEPTANCE. THEREFORE, FLEXIBILITY WAS NEEDED IN EC POSITION TO AVOID COLLISION COURSE. AMBASSADOR DENT REITERATED MAY 8 COMPROMISE THAT WE PROMISE TO DISCUSS FULLY EACH OTHERS' PROPOSALS IN GENEVA AND LONDON.

9. ON RULES OF ORIGIN, GUNDELACH SAID THAT FORMAL GATT ARTICLE XXII PROCEEDINGS COULD BE CARRIED TOO FAR AND

BECOME COUNTER-PRODUCTIVE. HE SAID THAT THE EC COULD ONLY SUCCESSFULLY DEAL WITH THIS U.S. PROBLEM UNDER HEADING OF CUSTOMS SIMPLIFICATION AND NOT RENEGOTIATION, BUT THAT EC IS DETERMINED TO DO SOMETHING FOR US. GUNDELACH ALSO MENTIONED THAT EC WAS GREATLY CONCERNED WITH OUR PRESENT CUSTOMS VALUATION AND NOMENCLATURE PRACTICES.

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10. ON TROPICAL PRODUCTS, LANDE REPORTED IN LAST MTN MEETING, LDC'S HAD CONTINUED TO BE RESPONSIBLE AND HAD ASKED FOR ONLY A LIMITED NUMBER OF CONCESSIONS. HE STATED THAT U.S. PREFERRED MFN TO GSP CUTS AND HOPED THAT WE WOULD GET SOME RECIPROCITY, EVEN THOUGH IT WOULD BE LESS THAN FULL RECIPROCITY. WE DID NOT WANT GSP CUTS BECAUSE IT WOULD MAKE IT MORE DIFFICULT FOR EC TO GIVE THE U.S. CONCESSIONS OF INTEREST TO US. ABBOTT STATED THAT EC PREFERS GSP CUTS TO AVOID DAMAGING LOME INTERESTS AND THAT EC DID NOT WANT TO GIVE SPECIAL AND DIFFERENTIATED TREATMENT THROUGH MFN CUTS. HE ALSO STATED THAT EC DOES NOT PUT A DATE ON ACTION IN TROPICAL PRODUCTS BECAUSE OF NEED FOR EXTENSIVE CONSULTATIONS WITH PARTNERS. GUNDELACH POINTED OUT THAT GSP MUST BE USED TO AVOID LDC'S TURNING THEIR ATTENTION TO OTHER FORA, AND THAT A BALANCE HAD TO BE DRAWN BETWEEN THE USE OF GSP AND MFN CUTS.

11. ON GOVERNMENT PROCUREMENT, AMBASSADOR DENT NOTED THAT TALKS HAD GONE ON FOR A LONG TIME IN PARIS, AND WE MUST DETERMINE HOW PROGRESS CAN BE BEST MADE. GUNDELACH AGREED THAT THIS WAS A PRIORITY ITEM BUT SAID THEY WERE HAVING DIFFICULTIES MOVING ITALIANS ON THIS AND HOPED TO MAKE

PROGRESS INTERNALLY BEFORE THE HOLIDAYS.

12. ON GATT REFORM, AMBASSADOR DENT SUGGESTED THAT THIS BE ADDRESSED IN A CONSTRUCTIVE LOW KEY WAY WITH A GOOD DEAL OF CONSULTATION IN A RELATIVELY SMALL GROUP. GUNDELACH NOTED THAT THERE WAS NO EC POSITION AS YET ON THIS ISSUE AND FAVORED BRAINSTORMING IN GROUPS OF LIMITED MEMBERSHIP.

13. ON ACCESS TO RAW MATERIALS, GUNDELACH SUGGESTED THAT THIS ISSUE SHOULD BE DISCUSSED BILATERALLY BEFORE JULY TNC BECAUSE IT WOULD HAVE TO BE AIRED THERE VERY GENTLY, AT LEAST, TO MAKE CLEAR THAT THE GATT PLANS TO REVERT TO THIS ISSUE AND IS NOT FAILING TO DEAL WITH IT AT ALL. HE ADDED THAT THE MTN COULD BE EXPECTED TO DEAL WITH ONLY A PORTION OF THIS PROBLEM, AND THAT OTHER PARTS OF IT WOULD HAVE TO BE HANDLED BILATERALLY, OUTSIDE THE MTN CONTEXT.

AMBASSADOR DENT AGREED WITH JULY TNC HANDLING, NOTING LIMITED OFFICIAL USE

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RECENT U.S. STATEMENTS ON MTN ASPECTS OF COMMODITY PROBLEM. KISSINGER

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